

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

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| People of the State of Illinois |) | |
| |) | |
| |) | |
| Complaint to Suspend Tariff Changes |) | |
| Submitted by Ameren Illinois and to |) | |
| Investigate Ameren Illinois Rate MAPP |) | |
| Pursuant to Sections 9-201, 9-250 and |) | |
| 16-108.5 of the Public Utilities Act. |) | |
| |) | Docket Nos. 13-0501, 13-0517 (Cons.) |
| Ameren Illinois Company |) | |
| d/b/a Ameren Illinois |) | |
| |) | |
| Revisions to its formula rate structure |) | |
| and protocols. |) | |

**BRIEF ON EXCEPTIONS OF THE STAFF OF THE
ILLINOIS COMMERCE COMMISSION**

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November 13, 2013

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**BRIEF ON EXCEPTIONS OF THE STAFF OF THE
ILLINOIS COMMERCE COMMISSION**

The Staff ("Staff") of the Illinois Commerce Commission ("Commission" or "ICC"), by and through its counsel, and pursuant to Section 200.830 of the Commission's Rules of Practice (83 Ill. Adm. Code 200.830.), respectfully submits its Brief on Exceptions ("BOE") to the Proposed Interim Order ("PO") issued by the Administrative Law Judges ("ALJs") on November 1, 2013.

I. INTRODUCTION

Staff commends the Administrative Law Judges ("ALJs") for a well-reasoned decision, and has only ministerial exceptions to offer. Staff believes the suggested language alterations clarify certain positions taken by the parties. Staff addresses its exceptions in the order in which they appear in the PO.

A. Exception No. 1: Introduction

Staff believes that a portion of the introduction should be modified as follows, to (1) more clearly characterize Staff's position; and (2) conform to the Complaint filed by the AG on August 30, 2013.

Commission Staff ("Staff") and the Attorney General of Illinois ("AG") filed testimony in Docket No. 13-0301 recommending adjustments that, in AIC's opinion, required alterations to AIC's formula rate structure or protocols. In response, AIC argued that such changes to the formula rate structure and protocols could not be made in an update proceeding pursuant to Section 16-108.5, but must be made in a separate proceeding pursuant to Section 9-201 of the Act. On August 19, 2013, AIC filed tariffs pursuant to Section 9-201, in which it proposed certain revisions to its formula rate. On August 30, 2013, the AG filed a complaint initiating Docket No. 13-0501. In the complaint, the AG asked the Commission to suspend AIC's August 19, 2013 tariffs and requested two changes to AIC's performance-based formula rate structure discussed by their witnesses in Docket No. 13-0301, which AIC witnesses argued required tariff changes and protocols. The Commission suspended AIC's August 19, 2013 tariffs on September 10, 2013, which initiated Docket No. 13-0517. On September 11, 2013, the AG moved to consolidate Docket Nos. 13-0301, 13-0501, and 13-0517. The AG, Staff, and AIC subsequently agreed in a joint motion to consolidate Docket Nos. 13-0501 and 13-0517, leaving Docket No. 13-0301 as an independent proceeding. The Administrative Law Judges ("ALJs") granted the latter motion.

See PO at 1-2. Similarly, Staff recommends the following changes to the following introductory paragraph, which Staff believes more accurately reflects the language in the Joint Motion.

In the joint motion, the parties requested an expedited schedule in the consolidated proceeding that would allow for the formula rate ~~structure and protocols~~ template adjustments addressed in that proceeding to be implemented for rates effective in 2014. An expedited schedule is necessary in light of Section 16-108.5(c), which provides in part that any change approved under these circumstances be adopted no less than 30 days before new rates go into effect. This means that any change must be approved by December 2, 2013. In order to accommodate the

expedited schedule, the parties requested that the Commission limit the scope of the contested issues to the formula rate adjustments that were: (i) raised in the AG complaint in Docket No. 13-0501; (ii) proposed by AIC in its filing in Docket No. 13-0517; or (iii) proposed on the record in Docket No. 13-0301.

See *id.* at 2.

B. Procedural History

C. Legal Standard

II. FORMULA RATE ISSUES

A. Uncontested Issues

1. Exception No. 2: Uncollectible Expense

Staff believes the following modifications would clarify the issues discussed.

Section 16-108.5(c) provides that: “In the event the utility recovers a portion of its costs through automatic adjustment clause tariffs on the effective date of this amendatory Act of the 97th General Assembly, the utility may elect to continue to recover these costs through such tariffs, but then these costs shall not be recovered through the performance-based formula rate.” AIC currently has an automatic adjustment clause tariff allowing it to track its uncollectible expense and pass that cost on to consumers. The Commission must assure that AIC makes appropriate changes to Schedules FR A-1 and FR A-1 REC to remove the effect of over or under collection of the uncollectible expense from the formula rate reconciliation year (“RY”) revenue requirement.

See *id.* at 3.

a. Reconciliation Year – FR A-1 Rec

Similarly, Staff believes the following modifications clarify the issues discussed.

In Docket No. 13-0301, Staff witness Ebrey proposed a change to an input in AIC’s formula rate template that would reflect uncollectible expense included in base rates during the reconciliation year (“RY”). Ms. Ebrey argued that the change was necessary in order to ensure no over-recovery or under-recovery of uncollectibles expense would be reflected in the reconciliation computation. AIC agreed that the proposed change might be a more accurate way to reflect uncollectible expense than the method currently used in the formula rate template. AIC included the proposed change in its filing initiating Docket No. 13-0517, which is a

Section 9-201 proceeding. The proposed change to line 2a of AIC's Sch. FR A-1 REC will ensure the amount to be used in the reconciliation revenue requirement for uncollectibles expense will equal the amount of uncollectibles expense included in the revenue requirement that provided the basis for rates that were charged during the period. The Commission finds the proposed change reasonable and adopts it.

See id.

b. Gross-up of Reconciliation with Interest and/or Collar revenue requirement adjustments for Uncollectible Expense

Staff believes the modifications below would more accurately reflect Staff's position, and that of AIC in relation to Staff's position.

~~Staff witness Ebrey used traditional revenue requirement schedules to calculate her proposals in Docket No. 13-0301. As a result, her schedules did not gross-up Uncollectible Expenses to account for her proposed adjustments to Reconciliation with Interest and the Collar Revenue Requirement. Staff witness Ebrey, in developing the revenue requirement for the reconciliation year, removed the impacts to Uncollectible Expense resulting from any adjustments to the reconciliation revenue requirement, so that no over-, or under-, recovery of uncollectibles expense is reflected in the reconciliation balance. AIC initially opposed this treatment. AIC noted noting that a change in practice to accommodate Ms. Ebrey's proposal to not gross-up Uncollectible Expense would require modification of several line items on AIC's Sch. FR A-1, and Sch. FR A-1 REC, as well as source changes to Sch. FR A-3, Sch. FR A-4, and Sch. FR C-4. The parties agree that Ms. Ebrey's proposal to not gross-up Uncollectible Expense supports the above revision and is just and reasonable. The Commission concurs with the parties' assessment and adopts the proposed change.~~

See id. at 3-4.

2. Year-end balances for Materials & Supplies and Customer Deposits

B. Contested Issues

- 1. Return on Equity Collar Calculation**
- 2. Depreciation Expense**
- 3. Exception No. 3: Separate Cash Working Capital Calculation for Filing and Reconciliation Year**

Staff believes the following paragraph should be deleted in its entirety as it appears to be related to the depreciation expense adjustment, rather than the Separate CWC Calculation issue, where it appears:

~~Staff notes that the AG agrees with Staff's proposed adjustment in its Initial Brief, however, the AG also proposes changes to AIC's formula rate schedules to implement the depreciation expense adjustment that are different than the changes proposed by AIC. Staff indicates it is indifferent as to which formula rate schedules changes are approved by the Commission, since both proposals provide adequate disclosure to implement Staff's adjustment.~~

See *id.* at 33-34.

4. Income Tax Expense Lead for Cash Working Capital Calculation

III. PROCESS FOR IMPLEMENTATION OF FORMULA RATE TEMPLATE CHANGES IN DOCKET NO. 13-0301, IF APPROVED IN DOCKET NOS. 13-0501/13-0517

IV. CONCLUSION

WHEREFORE, the Staff of the Illinois Commerce Commission respectfully requests that its exceptions be adopted in their entirety consistent with the explanations set forth herein.

Respectfully,

____/s/_____

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